



**U.S. Department of Justice**

**Brett L. Tolman**

**Acting United States Attorney  
District of Utah**

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**FOR IMMEDIATE RELEASE  
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**CONTACT: MELODIE RYDALCH  
801-325-3206  
801-243-6475 (CELL)**

**JOEY BRITO  
Special Agent and PIO  
Internal Revenue Service  
801-799-6760 (desk)  
801-891-9476 (cell)**

**NEWS RELEASE**

**EPHRAIM CHIROPRACTOR  
INDICTED FOR TAX EVASION**

***Charges allege payment of \$1.3 million in tax evaded,  
assets hidden, and tax returns not filed***

SALT LAKE CITY – Douglas R. Madsen of New Jerusalem, Utah, charged in a federal indictment returned in October with one count of income tax evasion, made an initial appearance on the indictment Tuesday morning in U.S. District Court in Salt Lake City.

According to the indictment, Madsen operated Madsen Chiropractic, Inc., in Ephraim, Utah, until approximately 2004. The indictment alleges that Madsen has more than \$1,000,000 in unpaid income taxes, interest, and penalties for the years 1995, and 1999 through 2004. The indictment further alleges that Madsen did not file income tax returns for the years 1999 through 2004.

According to Internal Revenue Service Criminal Investigation Special Agent in Charge Paul A. Camacho, “Mr. Madsen will have his chance to defend himself against these serious charges in court. Our justice system, which presumes citizens are innocent until proven guilty, is one of the many benefits paid for with our tax dollars. It is up to a jury to decide if Mr. Madsen willfully evaded paying his fair share of taxes. As Special Agent in Charge, I am committed to aggressively pursuing any allegations of wide scale tax evasion, especially where it appears individuals clearly have the means to pay, are living comfortable lifestyles and using trickery to hide their assets.”

The indictment alleges that in addition to the income he earned running his chiropractic clinic, Madsen also owned 19 properties in central Utah totaling more than 400 acres. In 1994, the indictment alleges, Madsen transferred these properties to various trusts. The properties remained titled in the names of trusts until on or about September 12, 2003, when Madsen caused the properties to be transferred to an entity named Grand Scale, Inc, a company that Madsen controls, according to the indictment. The indictment alleges that after titling these properties in the name of Grand Scale, Inc., Madsen caused mortgages to be filed on the property in the name of Entry Level, a company that is not registered as any type of business entity by the Utah Department of Commerce.

The indictment alleges that on or about August 4, 2004, Madsen entered a contract to sell his chiropractic business to another doctor for \$100,000. The contract called for installment payments to be paid by the buyer to Madsen. The IRS, however, filed a levy, requiring the buyer to make payments to the IRS, rather than to Madsen. As alleged in the indictment, Madsen attempted to convince the buyer to make payments to him rather than to the IRS by falsely telling the buyer that there was no valid IRS levy and also by filing another lien against the sale in the name of Willow Valley Trust, and directing the buyer to make payments to Willow Valley Trust at a post office box owned by Madsen.

The indictment alleges that around 2005, Madsen was issued a summons by the IRS to answer questions regarding trusts, businesses, and other entities that he used to hide his assets. Madsen refused to comply with the summons even after a United States District Court Judge ordered Madsen to answer the IRS’s questions.

Madsen pleaded not guilty to the charges at today’s arraignment and the judge set a Feb. 2, 2009, trial date. If convicted of the charges, Madsen faces a possible maximum sentence of up to five years in prison and a \$250,000 fine.

This case was investigated by special agents of the Internal Revenue Service Criminal Investigation and is being prosecuted by Assistant United States Attorney D. Loren Washburn.

Defendants charged in indictments are presumed innocent unless or until proven guilty in court.

